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Yuan Trading Against Ruble Said to Start Within Weeks

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By Bloomberg News

(Adds analyst comment in 4th, 8th paragraphs.)

Sept. 8 (Bloomberg) -- China may start yuan trading versus the Russian ruble within weeks, seeking to encourage use of its currency for global trade instead of the dollar, according to three bankers with knowledge of the matter.

The central bank sent out a document last week allowing banks to apply for ruble trading licenses and the approval process may take three weeks, according to one of the bankers, who asked not to be identified because the process isn't public. The People's Bank of China started yuan trading against the Malaysian ringgit on Aug. 19.

Cross-border trade using China's currency more than doubled to 48.7 billion yuan (\$7.2 billion) in the second quarter from the first, according to central bank data, and regulators are encouraging sales of yuan securities offshore. Billionaire Oleg Deripaska's United Co. Rusal is planning Russia's first offering of renminbi bonds.

"The push for the internationalization of the yuan is intensifying," said Dariusz Kowalczyk, a Hong-Kong based senior economist at Credit Agricole CIB. "This is meant to eliminate the dollar from trade settlement."

A press officer at the People's Bank, who refused to be named because of the agency's rules, declined to comment.

China allows trading of its currency, the renminbi, versus the dollar, Hong Kong dollar, Japanese yen, the euro, British pound and ringgit on its interbank market. The Foreign Exchange Trading Center provides daily reference rates for the currencies.

Trading Partners

HSBC Bank (China) Co. and Bank of Communications Co. completed the first yuan-ringgit transactions, according to the trading center, which is affiliated with the central bank. The central bank was investigating the possibility of offering new currency pairs on the interbank market, including the ruble, won and ringgit, an unnamed official at the center said in April.

Brazil, Russia, China and India, known as the BRIC nations, have stepped up cooperation to ensure that the interests of developing nations are taken into account at the Group of 20, which holds a meeting in Seoul in November.

Russian President Dmitry Medvedev in June called for a greater number of reserve currencies in the global financial system. Ba Shusong, deputy head of the financial institute of the State Council's Development Research Center, warned dollar volatility may affect the value of China's \$2.45 trillion foreign-exchange reserves.

Less Need for Dollars

The trend for developing nations to start trading in each others' currency "should lead to a lesser need for the dollar in the market," said Douglas Borthwick, Connecticut-based managing director at Faros Trading LLC. "It will certainly help slow the constant increase in China's dollar reserves over time."

China overtook Germany as Russia's second-largest trading partner in the first six months of this year, helped by exports from Russian commodity producers including Rusal, OAO GMK Norilsk Nickel and OAO Rosneft.

Rusal, the world's biggest aluminum producer, is preparing for a yuan bond sale, Oleg Mukhamedshin, head of capital markets, told reporters at a China investment conference in Moscow on Sept. 2. The Moscow-based company owns two smelters in China. Yuan deposits in Hong Kong have risen 65 percent this year to 103.7 billion yuan, the highest level since the Hong Kong Monetary Authority allowed yuan accounts to be set up in February 2004.

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